

**REBUTTAL TESTIMONY OF**

**JOHN PETERSON**

**DOCKET NO. 98-0866**

**I. Background And Purpose**

Q. PLEASE STATE YOUR NAME, TITLE AND BUSINESS ADDRESS.

A. My name is John Peterson. My business address is 600 Hidden Ridge, Irving, Texas 75015.

Q. BY WHOM ARE YOU EMPLOYED, AND IN WHAT CAPACITY?

A. I am employed as Director -- Wholesale Contract Compliance for GTE Network Services, which is comprised of all 28 states in which GTE provides local telephone service as an incumbent carrier.

Q. PLEASE DESCRIBE YOUR WORK EXPERIENCE AND EDUCATION.

A. I received a Bachelor of Science Degree in Business Administration from the University of Nebraska in 1976 and a Masters Degree in Business Administration from Xavier University in 1984. I began my GTE career in January, 1977 and held a variety of assignments in Internal Auditing, General Accounting, Rate Case Planning, Intercompany Separations Administration, and Access Charge Compensation Policy. Beginning in September, 1984 and for the following ten years, I held director level positions in Business Relations,

1 Revenue External Affairs, and Governmental Affairs for GTE North Incorporated.  
2 Responsibilities in these positions included advocacy of the Company's  
3 business positions before state commissions, industry participants, and  
4 legislative representatives, including negotiations concerning state and local  
5 compensation and settlement agreements with other carriers. In November,  
6 1994, I joined GTE Telephone Operations Headquarters first as National  
7 Manager of Industry Affairs and then in April, 1996, I became Manager --  
8 Industry Compensation. In this position, I was responsible for negotiating  
9 interconnection agreements with new entrants in the local exchange market as  
10 required under Section 251 of the Telecommunications Act of 1996 (the "1996  
11 Act"). These agreements covered such areas as local interconnection, purchase  
12 of services for resale, sale of unbundled network elements, collocation, and  
13 other aspects of local competition. I had primary responsibility for negotiating  
14 such interconnection issues with AT&T on a national basis, and negotiating state  
15 specific interconnection requests for the Central Area of the GTE's operating  
16 areas. I assumed my present position in January, 1997.

17  
18 Q. WHAT ARE THE RESPONSIBILITIES OF YOUR CURRENT POSITION?

19 A. I am responsible for managing the implementation of agreements between  
20 GTE's operating companies and competitive local exchange carriers ("CLECs")  
21 under the 1996 Act.  
22

1 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

2 A. The purpose of my testimony is to respond to the portions of the Direct  
3 Testimony of Christopher L. Graves on behalf of the Commission relating to the  
4 impact of the merger on competition in GTE's local exchange territories, as well  
5 as possible conditions on the merger. My testimony also responds to the  
6 portions of the Direct Testimony of Joseph Gillan on behalf of AT&T  
7 Communications of Illinois, Inc. ("AT&T") and of David E. Stahly on behalf of  
8 Sprint Communications Company L.P. ("Sprint") that are relevant to competition  
9 in GTE's local markets. Finally, my testimony also responds to the Direct  
10 Testimony of Mr. S. Rick Gasparin regarding common transport.

11 Specifically, my testimony will show that: (1) GTE's markets are currently  
12 open to any competitor who wants to purchase wholesale services; (2) nothing  
13 in the merger could diminish local competition in Illinois, because GTE's current  
14 interconnection agreements will continue to be binding after the merger; and (3)  
15 it is unnecessary to order conditions relating to local interconnection or common  
16 transport in this merger proceeding.

17  
18 II. GTE's Markets Are Open

19 a. *GTE Has Opened Its Markets Around The Country.*

20 Q. MR. GRAVES STATES IN HIS TESTIMONY THAT GTE IS "AMONG THE  
21 SLOWEST" OF THE INCUMBENT LOCAL EXCHANGE CARRIERS ("ILECs")  
22 TO OPEN ITS MARKETS, AND MR. GILLAN STATES THAT GTE AND BELL

1 ATLANTIC HAVE "STIFLED" COMPETITION. DO YOU AGREE WITH THESE  
2 STATEMENTS?

3 A. No, I do not. GTE has done nothing to stifle competition or otherwise prevent  
4 competitors from negotiating and using interconnection agreements to compete  
5 in GTE's service territories. I would point out that while Mr. Graves and Mr.  
6 Gillan make sweeping statements regarding GTE's alleged anticompetitive  
7 actions, they provide no examples of such actions in Illinois or elsewhere.  
8 Moreover, Mr. Stahly makes broad theoretical arguments regarding GTE and  
9 Bell Atlantic's alleged incentives and abilities to behave in an anticompetitive  
10 manner, but again provides no evidence that such actions have actually taken  
11 place.

12  
13 Q. WHAT HAS GTE DONE TO OPEN ITS MARKETS?

14 A. As of March 31, 1999, GTE has entered into 741 approved interconnection  
15 agreements across GTE's 28 states, and an additional 101 agreements have  
16 been finalized by GTE and the respective parties and are either pending or will  
17 be filed for approval from state public utility commissions. Although Mr. Gillan  
18 may allege that GTE has "stifled competition," it is worth noting that of these 842  
19 effective and pending interconnection agreements, 95 percent have been  
20 negotiated without the need for state commission arbitration.

21 Under these interconnection agreements, and as is shown in the  
22 December, 1998 Local Competition Report of the FCC's Common Carrier

1 Bureau, GTE has provided 113,487 lines to CLECs via resale, and has provided  
2 14,088 unbundled local loops. Additionally, GTE has established collocation  
3 arrangements in 168 switching centers. Thus, contrary to what Messrs. Graves,  
4 Gillan and Stahly imply, numerous CLECs have been able to negotiate  
5 interconnection agreements with GTE and enter the local market in GTE's local  
6 exchange areas.

7 In addition to the large number of interconnection agreements GTE has  
8 entered into, GTE has also made a significant capital and human resource  
9 commitment to opening its local markets. GTE has spent approximately \$281  
10 million, opened three local wholesale ordering centers, and employed more than  
11 500 people to open its local markets. As Mr. Holland explains in greater detail in  
12 his reply testimony, GTE has also established a web-based, Wholesale Internet  
13 Service Engine ("WISE") interface to simplify and expedite service ordering and  
14 access to operations support systems ("OSS"). Thus, GTE's efforts to open its  
15 markets have extended beyond negotiating interconnection agreements and  
16 embraced pro-active measures to facilitate CLEC entry.

17  
18 *b. GTE Has Opened Its Markets In Illinois.*

19 Q. PLEASE DESCRIBE HOW GTE HAS OPENED ITS MARKETS IN ILLINOIS.

20 A. As of the date of this testimony, GTE has 23 approved interconnection  
21 agreements in Illinois. Twelve (12) of these agreements are with CLECs and  
22 other incumbent local exchange carriers ("ILECs"), and the remaining eleven

1 (11) are with wireless carriers. Moreover, four (4) agreements are currently  
2 pending Commission approval. Under § 252(i), the terms of the approved  
3 agreements are available to any new entrant.  
4

5 Q. WHAT ARE THE MOST RECENT STATISTICS REGARDING RESOLD  
6 SERVICES AND UNBUNDLED NETWORK ELEMENTS ("UNEs") PURCHASED  
7 FROM GTE IN ILLINOIS?

8 A. As of March 31, 1999, GTE provides 1,787 lines on a resale basis to competitors  
9 and 172 loops on an unbundled basis in Illinois.  
10

11 Q. DO THESE STATISTICS RELIABLY INDICATE THE LEVEL OF LOCAL  
12 COMPETITION IN GTE'S LOCAL EXCHANGES?

13 A. They are useful indicators, but should not be considered solely determinative.  
14 These numbers only reflect the level of service that GTE provides to its  
15 competitors. They do not reflect access arrangements with alternative providers,  
16 or overbuilds by a new or neighboring provider. For example, if AT&T's strategy  
17 of entering the local market using TCI's cable network is successful, AT&T would  
18 not need to buy any services from GTE under an interconnection agreement  
19 (aside from providing for the exchange of traffic between their networks). Thus,  
20 the number of unbundled and resold loops would not accurately reflect the state  
21 of local competition, even though AT&T's share of the market could be  
22 significant.

1  
2 Q. LIMITING THE RELEVANCE OF THESE STATISTICS TO THE AMOUNT OF  
3 SERVICES GTE HAS SOLD TO COMPETITORS, ARE THESE STATISTICS  
4 CONSISTENT WITH WHAT ONE MIGHT REASONABLY EXPECT FOR GTE'S  
5 MARKETS IN ILLINOIS?

6 A. Yes. Similar to the GTE's market characteristics across the country generally,  
7 GTE's local service territories in Illinois are predominantly rural and suburban,  
8 and it is not reasonable to expect a large number of competitors to enter the  
9 market or require wholesale services and products from GTE. Mr. Graves  
10 agrees, stating that GTE's local exchange territories are "geographically  
11 dispersed over a 31,500 square mile area" and are "not particularly densely  
12 populated." Graves Direct at 26.

13  
14 III. The Merger Cannot Diminish Local Competition In Illinois

15 Q. IS THE MERGER LIKELY TO HAVE A SIGNIFICANT ADVERSE EFFECT ON  
16 COMPETITION IN GTE'S LOCAL EXCHANGE MARKETS?

17 A. The merger will have no adverse effect, and certainly no significant adverse  
18 effect, on competition.

19 As GTE and Bell Atlantic have repeatedly stated, the merger is a parent  
20 company merger only, and it will not result in any change in the day-to-day  
21 operations of GTE's operating subsidiaries. Thus, there will be no adverse  
22 effect on local market entry for three reasons. First, GTE's efforts to facilitate

1 local market entry will continue, and GTE anticipates that the implementation of  
2 best practices throughout the merged company will further facilitate entry.

3 Second, GTE's local interconnection agreements will continue to be in effect  
4 according to their respective terms and conditions after the merger just as they  
5 were before the merger. Thus, there is nothing about the merger or its  
6 subsequent implementation that will somehow suddenly eliminate the numerous  
7 agreements that obligate GTE to open its markets. Third, GTE and its operating  
8 subsidiaries will continue to be subject to the substantive and procedural  
9 requirements of the 1996 Act, as well as the regulatory requirements of the  
10 Commission and the FCC. Thus, new entrants will still be able to negotiate their  
11 own agreements or choose any of GTE's 23 other approved interconnection  
12 agreements in Illinois.

13 Mr. Graves agrees, or at least he has found no basis to disagree. In his  
14 testimony, he stated that he had "no evidence upon which to conclude that this  
15 merger will enhance GTE's incentive to slow the entry of its competitors into its  
16 local exchange markets." Graves Direct at 31. He also stated that he was  
17 "unable to say with certainty that the merger is likely to increase barriers to  
18 entry." Id. at 32.

19  
20 Q. MS. VANDERLAAN STATES IN HER TESTIMONY THAT THE MERGER  
21 MIGHT ALLOW BELL ATLANTIC TO IMPORT ANTICOMPETITIVE  
22 PRACTICES INTO ILLINOIS. DO YOU AGREE WITH THIS ALLEGATION?



1     A.     No, I do not. I cannot testify regarding the specific allegations of Bell Atlantic's  
2           behavior in New Hampshire that Ms. VanderLaan mentions in her testimony.  
3           See VanderLaan Direct at 6-7. However, this merger will do nothing to "import"  
4           such practices into Illinois. First, Ms. VanderLaan provides no facts supporting  
5           the possibility that such practices could be imported from one state into another.  
6           Certainly, she gives no indication that they have occurred in other Bell Atlantic  
7           states, and there is thus no reason to believe that they would be extended into  
8           GTE's states. Second, as I stated above, the merger will not have an impact on  
9           GTE's interconnection agreements with CLECs in Illinois, or on the  
10          Commission's regulatory authority over them.

11  
12    Q.     MR. STAHLY TESTIFIES AT LENGTH ABOUT GTE'S ALLEGED INCENTIVE  
13           AND ABILITY TO "ENGAGE IN EXCLUSIONARY BEHAVIOR." IS MR. STAHLY  
14           CORRECT?

15    A.     No, he is not. Mr. Stahly's arguments are entirely theoretical and make  
16           assumptions about how local competition works that are demonstrably wrong.

17           For example, Mr. Stahly alleges that GTE and Bell Atlantic would be  
18           "likely" to engage in exclusionary behavior after the merger. Stahly Direct at 18.  
19           Mr. Stahly, however, does not appear to understand what would happen if the  
20           merged company actually tried to do so. At present, GTE is subject to  
21           monitoring by this Commission, other state commissions and the FCC as to its  
22           progress in opening markets. Furthermore, if it intentionally engaged in

1        anticompetitive behavior, it might also be subject to enforcement actions by state  
2        attorneys general, the Department of Justice and the Federal Trade  
3        Commission. Moreover, GTE would be subject to private enforcement actions  
4        by dozens, if not hundreds, of the companies with which it has effective  
5        interconnection agreements. The merger will do nothing to remove any of these  
6        curbs on possible anticompetitive behavior. Thus, engaging in anticompetitive  
7        behavior of the kind Mr. Stahly alleges would result in a significant financial cost  
8        to the merged company, not to mention the damage an enforcement proceeding  
9        would do to the merged company's business reputation.

10        As another example, Mr. Stahly tries to make his arguments relevant to  
11        the merger by briefly arguing that the merger will remove Bell Atlantic as a  
12        "benchmark" to GTE's quality of service. This argument is absurd for two  
13        reasons. First, it is factually incorrect. This Commission does not use  
14        benchmarking to assess GTE's performance with regard to wholesale or any  
15        other services, but rather judges GTE against its own objective standards. Nor  
16        do CLECs use benchmarking. Interconnection agreements do not measure  
17        performance in comparison to other ILECs. Instead, they adhere to the legal  
18        requirement that UNEs, resold services, and other CLEC products and services  
19        must be provided in a nondiscriminatory manner, meaning at parity with what the  
20        ILEC provides itself. Thus, when a CLEC enters into an interconnection  
21        agreement with GTE, it is judging GTE service against what GTE provides to  
22        itself, and not what Bell Atlantic, or any other ILEC, provides to the CLEC.

IV. It Is Inappropriate And Unnecessary To Impose Local Interconnection  
Or Common Transport Conditions On The Merger

Q. SHOULD THE COMMISSION CONDITION APPROVAL OF THIS MERGER ON  
GTE FILING AN INTERCONNECTION AGREEMENT WITH AT&T?

A. No. AT&T's interconnection agreement is irrelevant to this merger, and the  
entire question will most likely be moot once the parties file their agreement.

AT&T's interconnection agreement is irrelevant to this merger because it  
has nothing to do with Bell Atlantic, the merged company or any conceivable  
impact of the merger in Illinois. If Mr. Graves believes that a failure for AT&T to  
file its interconnection agreement has somehow disadvantaged other  
competitors or the public interest (which it has not), the Commission could  
certainly open a docket to examine those concerns. However, importing those  
concerns into this merger proceeding would serve no useful purpose.

Moreover, GTE believes, as of the date of this filing, that AT&T and GTE  
will file their interconnection agreement in Illinois in the very near future (within  
two to four weeks). Therefore, Mr. Graves' proposed condition, even if it were  
relevant to the merger, will be rendered moot long before this merger is ever  
consummated.

I would also point out that the basis for Mr. Graves' condition – that the  
AT&T agreement has favorable rates and terms and “smaller companies may be  
staying out of GTE's market” because they cannot obtain such rates – is wrong.

1        See Graves Direct at 27-28. Attachment 1 is a letter from GTE to AT&T, which  
2        was also filed in Docket No. 96-0503. This letter states that the AT&T  
3        agreement will incorporate interim rates that GTE, AT&T and the Commission  
4        have agreed to use pending the completion of a proceeding to determine  
5        permanent UNE prices. These rates are available on a nondiscriminatory basis  
6        to other parties participating in Docket No. 96-0503. The terms of this letter  
7        were given effect by ALJ Don Woods. Therefore, these rates are already  
8        available to a number of CLECs. In fact, four CLECs --Camarato Distributing,  
9        GTE Communications Corporation, US Xchange of Illinois and USA Exchange --  
10       have already adopted the rates from the AT&T agreement.

11  
12    Q.    SHOULD THE COMMISSION CONDITION APPROVAL OF THE MERGER ON  
13        GTE CONTINUING TO WORK WITH THE COMMISSION TO DEVELOP  
14        VARIOUS RATES FOR CLEC PRODUCTS AND SERVICES?

15    A.    Mr. Graves proposes that the Commission condition the merger on GTE  
16        continuing to work with the Commission (1) "to reach final, Commission  
17        approved, wholesale service rates" and (2) "to reach final Commission approved  
18        unbundled network element, interconnection, transport and termination rates."

19        GTE is willing to work with the Commission towards developing approved  
20        rates. Indeed, as the attachment hereto states, "GTE is prepared and willing to  
21        proceed with the UNE case as soon as possible. GTE's cost studies and direct  
22        case have been on file since June[, 1998]." Attachment 1 at 1. Also, as

1 explained in greater detail in the rebuttal testimony of Mr. Banta, GTE proposes  
2 that within thirty days of merger approval it will file a tariff reflecting interim UNE  
3 rates in Docket 96-AB-005 and six months after merger approval it will file a  
4 UNE case. (See Rebuttal Testimony of Steven M. Banta, Exhibit 6.1 at p.4).

5 Making such cooperation a condition of the merger, however, would  
6 appear to serve no useful purpose. After the merger, GTE will continue to be  
7 subject to the Commission's jurisdiction with regard to the pricing of UNEs and  
8 other CLEC products and services. Moreover, GTE has already indicated its  
9 willingness to proceed, and the merger will not change the fact that it will do so.  
10

11 Q. SHOULD THE COMMISSION CONDITION APPROVAL OF THIS MERGER ON  
12 GTE'S PROVISION OF COMMON TRANSPORT?

13 A. There is no need to impose this condition on the merger. GTE already provides  
14 common transport as a UNE to competitors in Illinois, and has never refused to  
15 provide common transport. Mr. Gasparin acknowledges that GTE has not  
16 refused to provide such service, and that two of its interconnection agreements  
17 provide for such service. Gasparin Direct at 6. While Mr. Gasparin indicates  
18 that the "definitions and service description" for common transport "is [sic] too  
19 vague and does not fully describe the service offered," he does not provide any  
20 detail indicating why this is the case, or give any indication that competition has  
21 suffered in Illinois if this is actually the case. Furthermore, he provides no

1 evidence that any CLECs have ever complained that common transport has not  
2 been defined sufficiently, and GTE has received no such complaints.

3 In short, there appears to be no real issue with regard to GTE's provision  
4 of common transport in Illinois, and thus no need for a condition relating to it. It  
5 would appear that Mr. Gasparin's concerns are more accurately directed at  
6 Ameritech, as he states in his testimony. Gasparin Direct at 6.

7  
8 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

9 A. Yes, it does.